India will attain its rightful place in the world for determining price of diamonds: ICEX CEO

India's diamond industry, considered to be one of the largest in the world, is set to be re-energized by a new entrant in the commodity market – the Reliance Group anchored Indian Commodity Exchange (ICEX).

Rough patch
The size of India's diamond industry, comprising trades of cut and polished diamonds, is around $20 billion or Rs 1,40,000 crore per annum. It is estimated that 50 per cent of the world's rough diamonds are polished in India and Surat alone is regarded as the global centre for cutting and polishing of diamonds. India also has the largest exporter of rough diamonds and the largest importer of cut and polished diamonds in the world with annual revenues close to $55.4 billion (Rs. 3.52 billion), which is rapidly growing. The third largest economy of the world in terms of purchasing power parity, India is also the third largest consumer of polished diamonds.

For the last one year, the Indian diamond industry had been facing a tough patch – there was a huge fall in prices for Lazurite and Ubuntu, which are currently carrying huge inventory that resulted into losses and capital erosion. At a time when industry is looking at various solutions to minimize losses and get the shine back in the trade, the ICEX futures are expected to resolve some of these issues facing the industry.

From price taker to price setter
ICEX, promoted by a mix of public-private partnership comprising of PSUs including MMTCL, Indian Panjabs, KRBHICO and IDFC Bank among others and the Reliance Group, has been able to understand the various issues related to the Diamond industry and geared for offering the solution.

The most important contribution of ICEX futures will be in terms of price discovery of roughs. India has the world's largest number of gemstone cutters and polishers who are also the world's most skilled. The heart of cut and polishing of diamonds and the priciest of the stones are honed and shaped by the workers of this city. According to Sanjit Prasad, CEO and individuals who trade, process and participate in the diamond industry will now converge on the ICEX electronic trading platform to discover the fair price of the diamond on pure demand and supply factors. Hence, the time will see a transition where India will move away from being a price follower to a country whose fair price of diamonds is determined.

Game changer
ICEX is expected to create an entirely new market where the seller can offload the certified quality diamond among different set of buyers. There will be three separate monthly contracts of diamond having lot size of 1 cent, 50 cents and 30 cents with compulsory delivery at Surat, the basis centre, for price and delivery, at the expiry of the contract.

The buyers will be able to quote their buy price. The futures will be an advantage for manufacturers who will be able to hedge their position against the inventory to protect against the falling prices. Similarly rough buyers will be in a position to hedge buying at future market. New set of market participants providing liquidity in the market place enabling easy entry.

Retail play
India has 64% of its population in the age group of 20 to 35 years. These groups have disposable income and affinity towards the diamond. ICEX Futures will open up a completely innovative channel for the retail buyer/investors. Retail investors generally prefer to buy diamonds that are in the weight range of 50 cents to 1 cent. The USP of ICEX futures is to attract the retail crowd by offering them the choice to buy or invest in certified diamond in the size of 30 cents, 50 cents and 1 cent through this platform. People will have the option of buying 1 cent (one lot) of diamond by spending just Rs 3,500. This will open up a completely new market segment which otherwise has not been tapped yet. With the industry expecting the diamond prices to start climbing back and continue with the rise for at least next few years, it will not be long that diamond becomes a coveted part of investmen